

Commonwealth of Massachusetts
Department of Telecommunications and Energy
Fitchburg Gas and Electric Light Company
Docket No. D.T.E. 02-24/25
Record Request Response

Record Request No. DTE-RR-64 (Common)

Please rerun DTE-RR-12, taking the \$193,000 projected cost of the lead/lag study, dividing it by the amortization period of seven years, developing a new break-even period, and then run the probability of benefits exceeding costs as found in Schedule 1 of 3 of the Attachment DTE-RR-12.

Response:

Please refer to Attachment DTE-RR-64.

Person Responsible: Mark H. Collin

**Fitchburg Gas and Electric Light Company
Other O&M Expenses - Lead Lag Study
Cost / Benefit Analysis**

Line No.	Cost	Bids ⁽¹⁾		Source / Calculation
		Bid 1	Bid 2	
1	Cost for Lead Lag Study	\$193,000	\$60,000	Vendor Bid
2	Number of Years for Normalization	7	7	Amortization Period
3	Annual Cost	\$27,571	\$8,571	Line 1 / Line 2
Benefit				
4	Annual Gas Other O&M subject to W/C	\$5,652,899	\$5,652,899	Other O&M Expense per adjusted books - Gas
5	Annual Electric O&M subject to W/C	\$7,823,004	\$7,823,004	Other O&M Expense per adjusted books - Electric
6	Annual Other O&M subject to W/C	\$13,475,903	\$13,475,903	Line 4 + Line 5
7	Days in year	365	365	Assumption
8	Other O&M Expense per Day	\$36,920	\$36,920	Line 6 / Line 7
9	Rate of Return	9.09%	9.09%	Cost of Capital
10	Income Tax Rate	38.29%	38.29%	Income Tax Rate - Federal & State
11	Benefit per Day of Reduction from 45 days	\$5,438	\$5,438	Line 8 * Line 9 / (1-Line 10)
Breakeven Analysis				
12	Days of Reduction Required for Breakeven (days)	5.07	1.58	Line 3 / Line 11
13	Breakeven Point - Other O&M Expense Lag (days)	39.93	43.42	45 - Line 12
14	Gas Division Revenue Lag (days)	68.9	68.9	FG&E Purchase Gas Lead Lag Study
15	Electric Division Revenue Lag (days)	58.2	58.2	FG&E Purchase Electricity Lead Lag Study
16	FG&E Revenue Lag (G&E Wtd Average) (days)	62.7	62.7	(Line 14 * Line 4 + Line 15 * Line 5) / Line 6
17	FG&E Other O&M Expense Lag for Breakeven (days)	22.7	19.3	Line 16 - Line 13
18	Average Expense Lag from Sample (days)	22.5	22.5	Sample Average Expense Lag ⁽²⁾
19	Standard Deviation of Estimate (days)	9.62	9.62	Standard Deviation of Sample ⁽²⁾
20	Sample Size	10	10	Sample Size ⁽²⁾
21	Probability of Benefits Exceeding Costs	49%	63%	1-NORMDIST(Line 17, Line 18, Line 19, 1)

(1) Bids include estimates for presenting direct and/or rebuttal testimony and for responding to data requests. These items were not included in the written bids submitted, but were obtained based on a follow-up discussion with bidders.

(2) Please see page 2 of 2 of this Attachment for the list of companies contained in the sample as well as the expense lags for those companies.

**Fitchburg Gas and Electric Light Company
Other O&M Expenses - Lead Lag Study
Cost / Benefit Analysis
Sample of Utilities' Other O&M Lead/Lag Results**

Company	Average Expense Lag
APS	21.972
Central Power & Light	29.260
Lone Star Gas	20.477
Oklahoma Gas & Electric	12.751
Peoples Natural Gas Co.	15.613
Southern Union Gas Co.	30.773
Texas-New Mexico Power Co.	22.379
Texas Utilities Electric Co.	41.410
UGI Utilities	7.8770
West Texas Utilities Co.	22.590
Average	22.510
Standard Deviation (Sample)	9.617
Sample size	10